

Que Font les Economistes? What Do Economists Do?

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Definitions

- Narrow definition: *Economics studies how households, firms, and other actors make their economic decisions and what are the consequences both at the individual and aggregate level.*
- Wider definition: *Economics is a set of concepts, models, and tools for analyzing **all** human behavior.*

Economists [1]

- John Maynard Keynes (British Economist, 1883–1946):

“The study of economics does not seem to require any specialized gifts of an unusually high order. Is it not . . . a very easy subject compared with the higher branches of philosophy or pure science? An easy subject, at which very few excel? The paradox finds its explanation, perhaps, in that the master economist must possess a rare combination of gifts. He must be mathematician, historian, statesman, philosopher in some degree. He must understand symbols and speak in words. He must contemplate the particular in terms of the general, and touch abstract and concrete in the same flight of thought. He must study the present in the light of the past for the purposes of the future. No part of man’s nature or his institutions must lie entirely outside his regard. He must be purposeful and disinterested in a simultaneous mood; as aloof and incorruptible as an artist, yet sometimes as near the earth as a politician.”

Economists [2]

- Paul Krugman (Ph.D., Massachusetts Institute of Technology, (1979):
- **“But the honest truth is that what drives me as an economist is that economics is fun. I think I understand why so many people think that economics is a boring subject, but they are wrong. On the contrary, there is hardly anything I know that is as exciting as finding that the great events that move history, the forces that determine the destiny of empires and the fate of kings, can sometimes be explained, predicted, or even controlled by a few symbols on a printed page. We all want power, we all want success, but the ultimate reward is the simple joy of understanding.”**

Where Do Economists Work?

- Recherche et Enseignement
- Gouvernement; Secteur Public
- *Banques Centrales*
- *Organisations Internationales: UN, Banque Mondiale, Fonds Monétaire International*
- *Boites de Conseil*
- *Marchés Financiers, Banques*
- *Secteurs productifs; entreprises*

The Two Branches of Economics

Macroeconomists:

Focus on the economy as a whole.

Spend much time analyzing how total income changes, and how changes in income cause changes in other modes of economic behavior.

Spend a great deal of time and energy investigating how people form their expectations and change them over time.

Consider the possibility that decision makers might change the quantities they produce before they change the prices they charge.

Microeconomists:

Focus on the markets for individual commodities and on the decisions of single economic agents.

Hold total income constant.

Don't worry much about how decision makers form their expectations.

Assume that economic adjustment occurs first through prices that change to balance supply and demand, and only afterward do producers and consumers react to the change prices by changing the quantities they make, buy, or sell.

Malgré les progrès enregistrés, des millions de gens vivent encore dans la pauvreté extrême

Nombre de personnes ayant moins de 1 dollar par jour pour vivre (en millions)

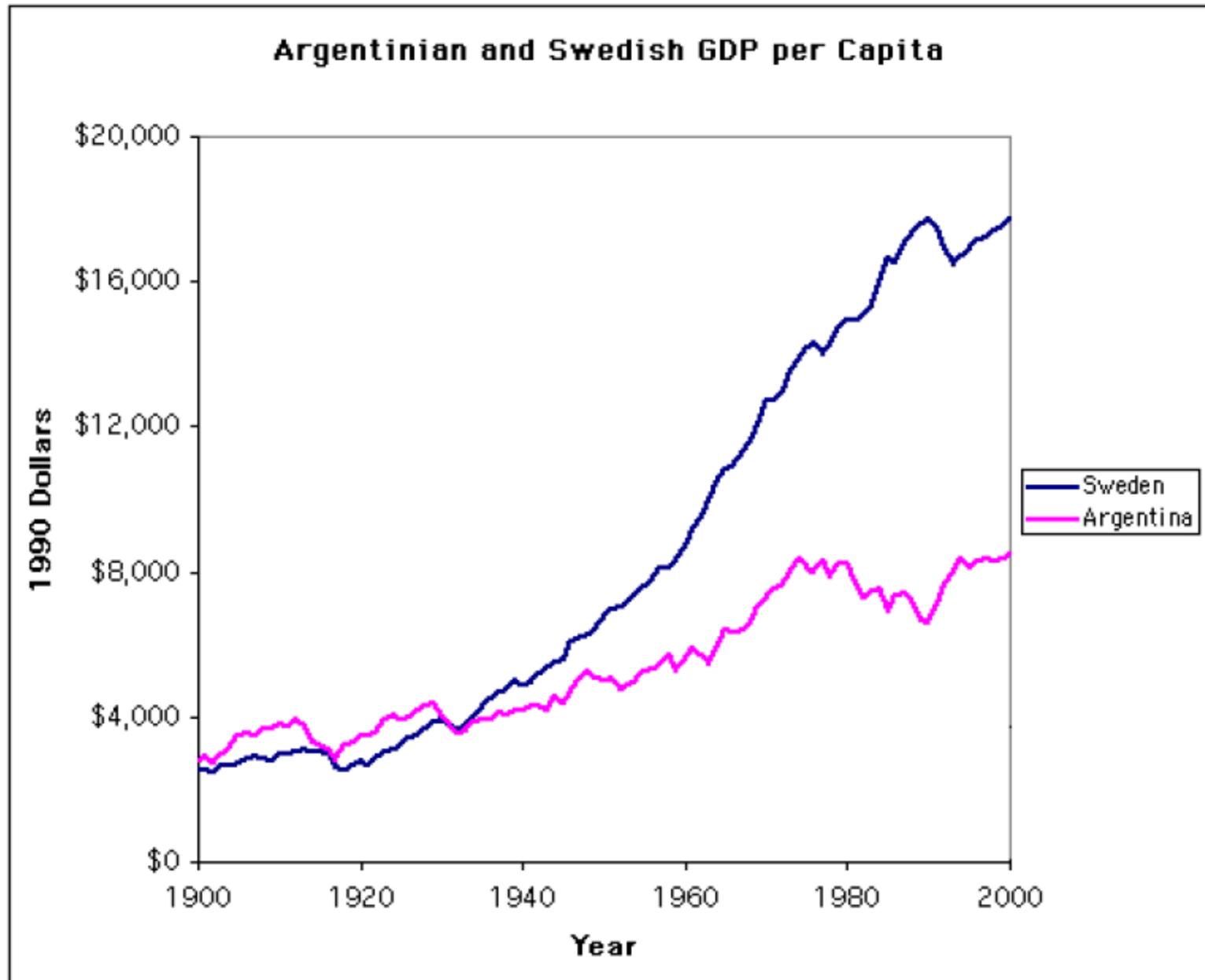
<i>Groupes de pays en développement</i>	1990	1999	2015
Asie de l'Est et Pacifique	486	279	80
(Chine non comprise)	110	57	7
Europe de l'Est et Asie centrale	6	24	7
Amérique latine et Caraïbes	48	57	47
Moyen-Orient et Afrique du Nord	5	6	8
Asie du Sud	506	488	264
Afrique subsaharienne	241	315	404
TOTAL	1 292	1 169	809

Dépenses de santé dans le monde, 2000

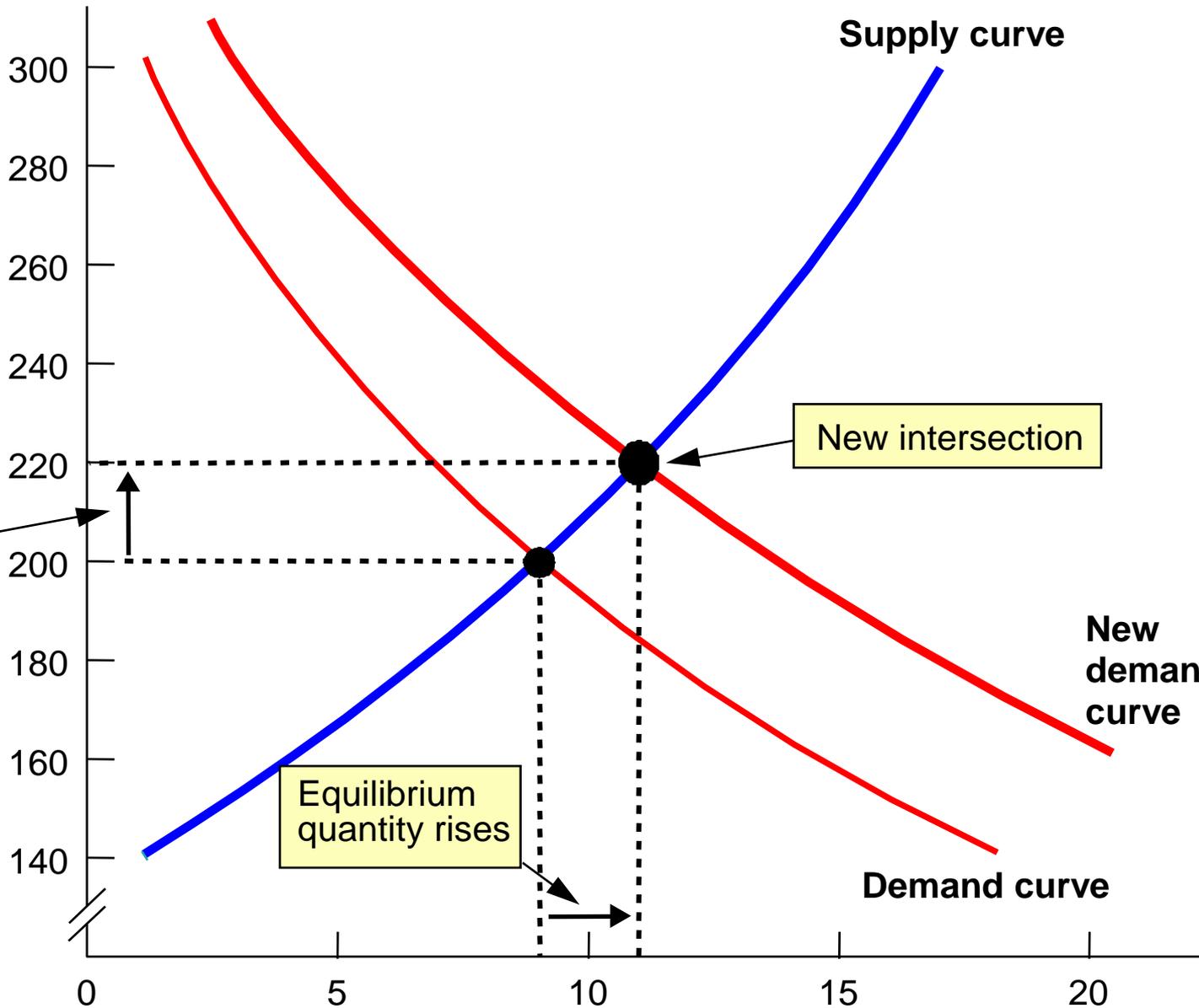
	Dépenses de santé par habitant (en dollars courants)	Total, en % du PIB
Monde	482	9,3
Asie de l'Est et Pacifique	44	4,7
Europe de l'Est et Asie centrale	108	5,5
Amérique latine et Caraïbes	262	7,0
Moyen-Orient et Afrique du Nord	171	4,6
Asie du Sud	21	4,7
Afrique subsaharienne	29	6,0
Pays à revenu élevé	2 736	10,2
Etats-Unis	4 499	13,0
Union Européenne	1 924	9,1

Budget de l'éducation, 2000	Part du PIB	Dépenses par écolier dans le cycle primaire (en dollars)
Monde	5,3	629
Asie de l'Est et Pacifique	3,9	127
Europe de l'Est et Asie centrale	4,4	292
Amérique latine et Caraïbes	4,4	403
Moyen-Orient et Afrique du Nord	4,8	264
Asie du Sud	2,9	38
Afrique Subsaharienne	3,4	48
Pays à revenu élevé	5,5	4 088
États-Unis	5,1	5 093
Union Européenne	4,9	

1900-2000



PRICE



Supply curve

New intersection

Equilibrium price rises

Equilibrium quantity rises

New demand curve

Demand curve

QUANTITY

The mystery of increasing poultry consumption (1)

- Why has consumption of chicken and turkey increased so dramatically over the last several decades?
- Look at Demand and Supply

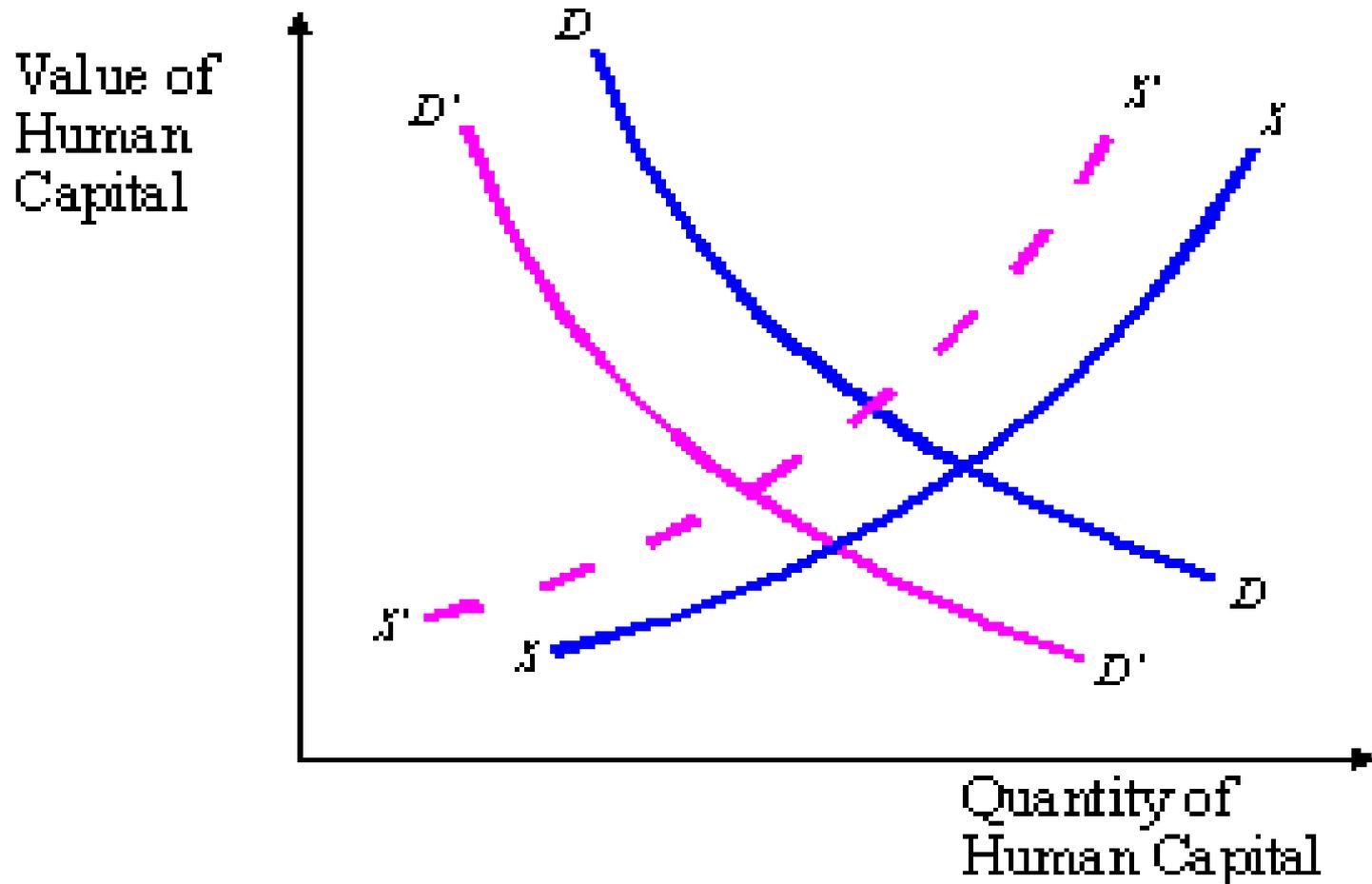
The mystery of increasing poultry consumption (2)

- Alternatives:
 - **increase in demand:** consumers are more health conscious and have switched from red meat to poultry.
 - **increase in supply:** cheaper ways of raising chicken and turkey and getting them to the market
- How would you check which hypothesis is true?

The mystery of increasing poultry consumption (3)

- Between 1950 and 1990 the real price of poultry decreased from \$2 to \$0.80 per pound.
- Changes in supply were more important.
- Mystery solved!

Capital Humain



Human Capital Investments

- Education & Training: investments and returns to Human Capital investments
- Women & Minorities major beneficiaries from human capital investments
- Human capital is major source of economic development & growth
- Human capital fundamental to building market-based institutions and democracy

Human Capital Investments [2]

- Education and training, health expenditures are the most important investments in human capital: People cannot be separated from their knowledge, skills & health:
 - Enhances labor mobility between sectors and internationally
 - HC investments less risky in volatile, uncertain environments
- Abundance of HC in Lebanon and in Diaspora resulted in resilience & survival of Lebanese economy: we have been able to rebuild because we preserved our HC

HC investment returns

- Earnings of the more educated are almost always well above the average over their lifetimes:
 - US college graduates earn a premium of 65% more than high school graduates
 - High school graduates earn an even larger premium compared to H.S. drop-outs
 - Returns to investment in HC and premium tend to be substantially higher in developing countries such as Lebanon
- On-the-job training important source of higher (more than 30%) earnings

Women & HC investments

- Increased investments in women's HC has important social & demographic effects:
 - Large increase in labor force participation: higher incomes & more freedom for women
 - Reduced fertility, lower number but higher quality investment in children
 - Spillover effects: better family health and higher 'social capital'
 - Lowers difference in earnings and discrimination ratio between male & female earnings

HC & Economic Development

- HC major source of labor productivity growth and of innovation which enhance economic development & prospects, reduces regional & communitarian & gender disparities
- HC means individuals who are able to build & contribute to sustaining market-based economic institutions and private initiatives
- HC implies better educated citizens which enhances and underlies democracy and 'good governance' practices

Conclusions:

- Invest in yourselves: it is the best investment around, and nobody can take it away from you
- Become Economists: it's *the* way of understanding how the world works